

Swiss Fund Day 2023

Future of the Fund

Speaker: Bernard Tancre, CEO of Clearstream Fund Centre AG

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How Do We View the Traditional Fund Industry



Some Changes Happening in The Industry - Is It Enough?

Market Trends – Platorum May 2023

Technology & infrastructure



Digitization and Blockchain:
Fax machines?



Automation

Digital services and APIs will make processes more efficient for asset managers and distributors

Retailization:



Alternative Investments:
Feeder Funds & Direct Access



Lower Investment Barrier

Platforms are improving access to alternative investments; AMs want direct access to investors

Rebates /retrocessions:



Retail investment strategy:
No proposal of a full ban



Value for Money

The EU Commission announced its Retail Investment Package proposals in May 2023

How Could Digitalization & Blockchain Solve the Pain Points?

Industry Pain Points

- Digital experience for investors
- Limited data insights on the end investors
- Increasing regulation and competition from lower costs products putting costs pressure on all actors
- Private assets (complexity and scale)

Market Opportunities



Blockchain will improve distribution process speed and efficiency while reducing risks and being more transparent



APIs have the potential to replace current comm. systems

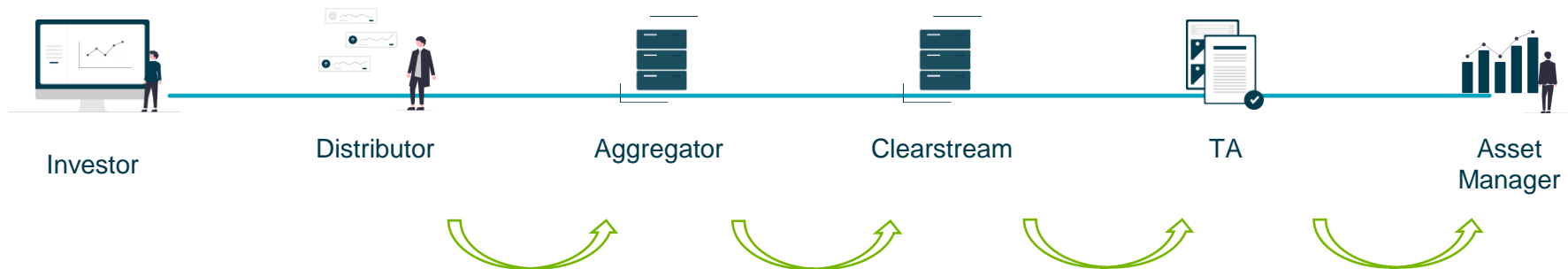


Cloud computing reduce cost and complexity



Data analytics and usage reveal key user and customer trends, refine the bid proposed to the client

Clearstream and Funds Industry



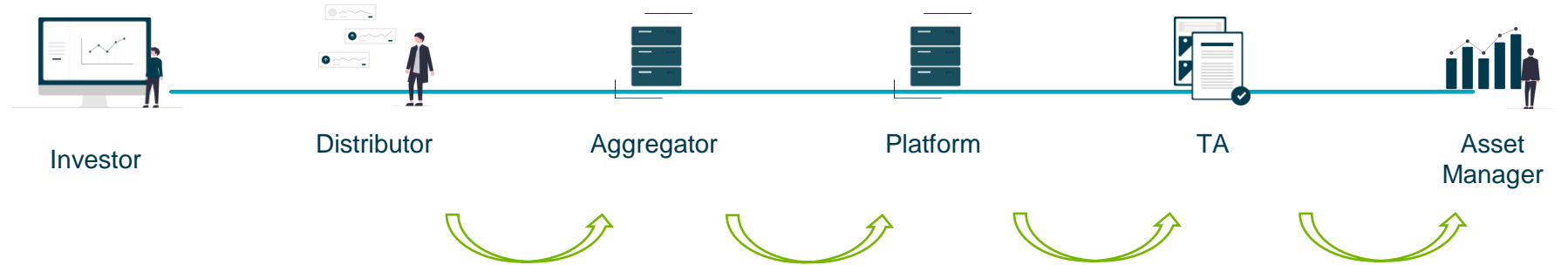
Efficiency  Transparency

- The history of Clearstream and Funds is to make Funds assessable for end clients as other asset classes - **We want to make funds comparable to the other asset classes processing by offering further automation.**
- One of the biggest hurdle is unlike the other asset types, **the funds will be challenged by the dilemma between managing the efficiency, reducing risks** and on the other side **maintaining transparency, data and control.**

From the Custody Model to the Shared Ledger Model

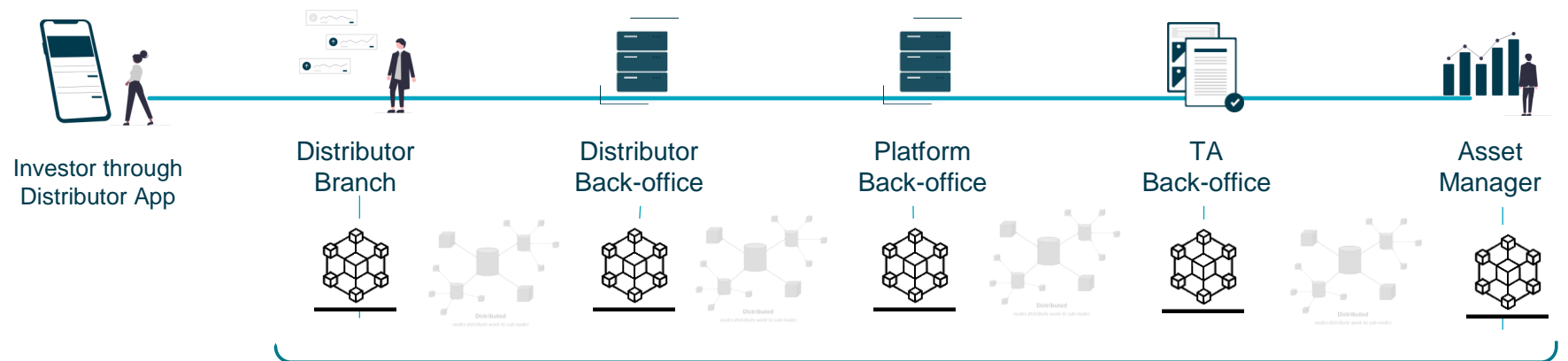
Custody model

Different entities with different information systems, messages and reconciliation, loss of information, cost redundancy



Shared model

A shared fund register amongst all intermediaries removing messages and reconciliation needs, single data set transparency, cost efficiency

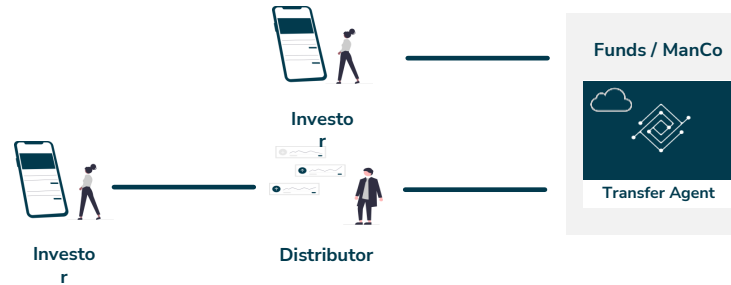


FundsDLT Business Models

For Asset Managers & Asset Servicers

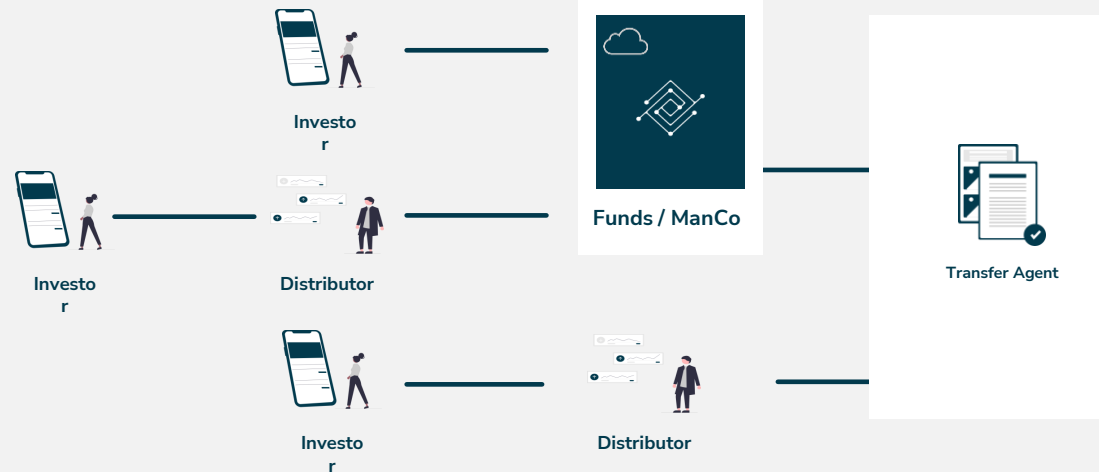
Full issuance

A fund fully issued on FundsDLT including all investors



Sub issuance

Co-existence of the traditional model and FundsDLT for a same fund



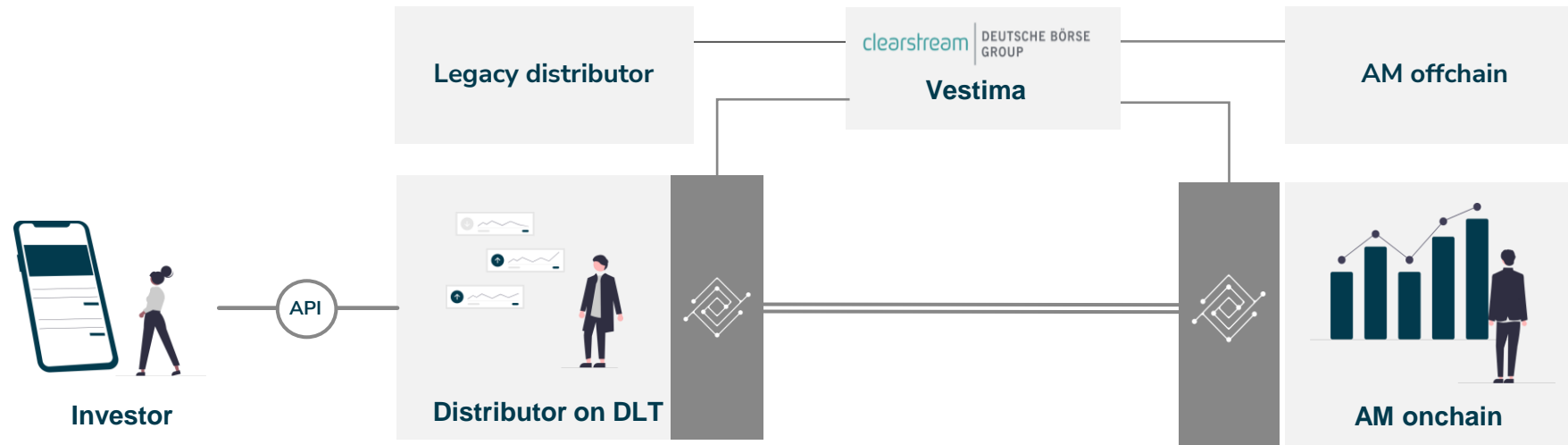
For Distributor & Fund Platforms

Platform

FundsDLT used by a distributor to maintain accounts, order and settle transactions on multiple funds



Vestima as the bridge between off-chain and on-chain



Examples of use cases (being) powered by FundsDLT

AM

Money market funds tokenisation

- Implementation of a **Sub TA model** for money market funds through the provision of **TA services** and **tokenisation**

D2C and market specifics

- Provision of a D2C platform for distribution of Luxembourg funds in the **Italian and austrian retail customer** and acting as the **correspondent banking platform and digital custody platform** for the asset manager (acting as the distributor)
- Provision of **centralizing agent and fund issuance account services in France**

Digital TA

- Replacement of the TA platform of a regional asset servicer across **6 local markets in Asia and Middle East starting**
- Provision of a Sub TA platform to an asset manager performing its **TA in Luxembourg** for greater **investor transparency, data provision and retail customer administration**

Private assets

- **Tokenisation of ELTIF in Luxembourg and France**

DP

B2B2C

- Provision of a **next generation distribution platform for both a swiss bank and swiss asset manager**
- Provision of our software to a new generation of **market infrastructure in Singapore** for both distributors and asset managers/servicers

New distribution channels - Digital banks and crypto exchanges

- **Tokenisation of fund shares** and further distribution to new distribution channels such as **digital banks and crypto exchanges**

Clearstream will participate along the hybrid journey and bring DPs on FundsDLT

Client Benefits across The Value Chain

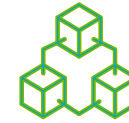
Asset Managers

- Cost reduction
- More value creation through data usage and digitization



Distributors

- Cost reduction
- Digital transformation of investment processes and improved investor experience.



Transfer Agents

- Cost reduction
- Creation of new added value products and true integration in the distribution chain



Platforms

- Cost reduction
- Creation of new added value products, more adequate products and improved investor experience



Is DLT the Future of Funds?

Why DLT in Funds

- DLT solves the fund specific dilemma between efficiency and transparency.

What's next

- Possibility to solve the settlement issues – ie.T+2 is driven by operational limitation that could go away – cash should be on chain thus digital assets
- Funds is basket of securities, so the underlying assets must be tokenized, requiring the change in the entire ecosystem

Isn't DLT rather the end of the funds?

- If all the assets are tokenized, is there still a need for a fund?
- Diversification, professional management, market access, liquidity, economies of scale

